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UNCLAS SECTION 01 OF 05 HANOI 001888

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STATE FOR EAP/BCLTV AND EB/TPP/BTA/ANA JBELLER
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TREASURY FOR OASIA

E.O. 12958: N/A

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SUBJECT: DPM VU KHOAN MAKES URGENT WTO POINTS TO AMBASSADOR

REF: A) HANOI 1863 B) STATE 133130

11. (SBU) Summary and Comment: On July 25, the Ambassador met with Deputy Prime Minister (DPM) Vu Khoan to discuss Vietnam's bid to join the World Trade Organization (WTO). The Prime Minister is becoming concerned about the possibility that Vietnam will not be able to accede to WTO by its self-imposed December 2005 deadline, and is pressuring his ministers to work with the USG and the Embassy to accelerate the conclusion of negotiations. The GVN would like to have another negotiation session in July or August (and offered to come to Washington), but will settle for a more formal session on the margins of the September 15 working party session in Geneva. The Government is concerned about the possible reaction by the public and the senior political leadership if Vietnam is unable to conclude negotiations with the United States in a timely fashion, but the experts on the trade side understand the reality of the situation and are preparing for the possibility that accession will not occur until early 2006. After discussing WTO, the Ambassador highlighted the importance of developing an Avian Influenza contingency plan and asked for the GVN's assistance in addressing issues regarding disbursement of HIV/AIDS assistance connected with the President's Emergency Fund for AIDS Relief (PEPFAR).

12. (SBU) The GVN, particularly the Prime Minister, has been actively selling the concept domestically of a 2005 accession to the WTO, despite the more sober assessments of the actual trade experts in the GVN, including DPM Khoan. DPM Khoan and officials at the Ministry of Trade and the Office of the Government have a more realistic view of the timetable, as evidenced by their more pragmatic suggestions for next steps in the negotiation process. At this point the USG can strengthen the pragmatists' position by negotiating in good faith, keeping up the pace of work set by the GVN, and seriously considering the GVN's offer to come to Washington for a round of negotiations in August. End Summary and Comment.

PM VISIT: EVERYONE VERY HAPPY

13. (SBU) At DPM Khoan's request, the Ambassador met him July 25 at Government House to discuss the current situation of Vietnam's effort to join the WTO. DPM Khoan was joined by Americas Desk Assistant Minister of Foreign Affairs Nguyen Duc Hung, Tran Quoc Khanh from the Ministry of Trade and Phan Chi Thanh from the Office of the Government. A/DCM, Poloff and Econoff accompanied the Ambassador.

14. (SBU) DPM Khoan thanked the Ambassador on behalf of the Prime Minister and the people of Vietnam for the success of the Prime Minister's visit to Washington in June. Public opinion and the delegation's private assessment were both very positive. The visit developed the expectation among the Vietnamese public that U.S.-Vietnam relations will develop further and that there will be new breakthroughs. To satisfy that expectation, the United States and Vietnam should work hard to follow up the commitments made during the visit. In Vietnam, the Prime Minister has already instructed relevant agencies (the Ministries of Planning and Investment, Trade, Foreign Affairs, Public Security and National Defense) to implement the agreements reached during the visit. Khoan said he looks forward to working together with the Ambassador and the U.S. Embassy on the implementation of concrete activities and outcomes from the visit.

WTO: THE REAL ISSUE

15. (SBU) The most important component of the high-level agreement reached between President Bush and Prime Minister Phan Van Khai is that the two sides will resume negotiations on Vietnam's accession to the WTO, the DPM stated. Vietnamese officials and people are both encouraged by the commitment shown by President Bush to supporting Vietnam's accession to the WTO. Upon returning to Vietnam, the GVN

did its best to provide feedback on outstanding issues such as taxation, services, multilateral issues, etc. Vietnam extends a formal invitation for the U.S. negotiating delegation to resume negotiations in Vietnam at the end of July. If this is a problem, Khoan said, Vietnam is willing to send its negotiators to Washington. So far, he noted, Vietnam has received no response from the office of the U.S. Trade Representative (USTR) with regard to questions concerning the timing and agenda for the next round of negotiations.

16. (SBU) The DPM said he has heard informally that it is unlikely the U.S. Delegation will come to Vietnam in July or August, which worries the Prime Minister. The Prime Minister had asked Vu Khoan to meet the Ambassador, express the GVN's concern, and seek assistance in arranging another formal negotiation session as soon as possible.

17. (SBU) Vietnam has greatly increased the priority it attaches to the acceleration of WTO accession, Khoan explained. The United States plays the dominant role in the process and so Vietnam needs its cooperation. Internally, Vietnam will embark on a "new plan" in 2006, he added. (Note: the Tenth National Party Congress, held every five years to set the economic and political direction for Vietnam, is scheduled to begin in June 2006. End Note.) To prepare Vietnam's economic and foreign policy plan for consideration, the GVN needs to know the prospects for WTO accession. Externally, Vietnam attaches great importance to relations with the United States and hopes the United States will be "among the countries soon to conclude negotiations on Vietnam's WTO entry." Khoan listed the countries who recently concluded bilateral negotiations with Vietnam, including Japan, Korea, Canada, Colombia and China.

COMMUNICATION FROM USTR

18. (SBU) Mr. Khanh of the Ministry of Trade received a letter July 25 from Assistant U.S. Trade Representative Dorothy Dwoskin. In response, Khoan said that he has instructed the negotiating team "to work hard to provide the necessary feedback to all requests from USTR." Vietnam is committed to doing everything possible to ensure progress in the negotiation process with the United States. For these reasons, Khoan said, and because the GVN is concerned about disappointing public opinion, the GVN is counting on the Ambassador to contribute to negotiations and ensure progress.

19. (SBU) The Ambassador assured DPM Khoan that prospects for Vietnam's eventual accession to the WTO remain bright and that the United States firmly supports accession as soon as possible. He stressed that negotiators are working hard not just in the context of the formal negotiating sessions but also in the exchange of letters and positions and in the informal and internal deliberations between the two sides.

110. (SBU) On the bilateral side, the Ambassador expressed appreciation that the DPM had instructed his team to be as responsive as possible to U.S. requests. Until now, the United States has been disappointed not to receive responses on some of the issues that have been outstanding since the June negotiation session. The proposals that Vietnam has submitted have been received and are being analyzed; a lack of formal scheduled negotiation sessions does not imply a lack of work or progress towards accession, the Ambassador stressed.

111. (SB) Vietnam's multilateral negotiations with the Working Party in Geneva would be a tougher job to finish than the bilateral negotiations with the United States, the Ambassador explained. The December deadline Vietnam set for itself (accession by the scheduled December WTO ministerial in Hong Kong) is extremely ambitious and has required cramming two years of work into a nine- to ten- month period. The Vietnamese National Assembly has worked hard and focused intensely on building the necessary legislative framework for Vietnam to meet its WTO commitments. Though the Ambassador is optimistic that the National Assembly will pass the necessary legislation, it has yet to occur, and that means that the necessary legal changes in Vietnam remain hypothetical.

112. (SBU) Even more troubling for the December deadline is the necessity in the United States of the U.S. Congress approving Permanent Normal Trading Relations (PNTR) before the United States considers Vietnam to be a member of the World Trade Organization. Before the Administration can approach Congress and say "we need to have a PNTR vote for Vietnam this year," it will need to be ready to demonstrate that the full package of necessary prerequisites, including required legislation on the Vietnamese side and conclusion of bilateral and multilateral negotiations, is complete. Looking at the current state of this "package," it is clear that Vietnam is not ready and the earliest it will be

possible to schedule a PNTR vote is the beginning of 2006. There is no reason a country must accede to the WTO during a ministerial; the bimonthly WTO General Council meetings also offer an opportunity. So if Vietnam misses the December deadline, February 2006 is still possible.

113. (SBU) The United States remains very interested in seeing Vietnam's proposed solutions on telecommunications and industrial subsidies, the Ambassador continued. Industrial subsidies are relevant to Vietnam's multilateral negotiations and the working party beginning September 15, during which the U.S. team will also be available to meet bilaterally on the margins. The United States is not ready to send a team to Vietnam in July for formal negotiations, and has not yet fully absorbed all of the Vietnamese responses and suggestions. The United States wants to conclude negotiations, but forcing the teams together at this time would be unproductive. On the issue of agricultural tariffs, for example, the United States is still looking for evidence of a Vietnamese move. Exchanges continue, the Ambassador noted. He explained that he had accepted Vice Minister of Trade Luong Van Tu's request for a meeting the previous week, and had obtained guidance from Washington. Thus while the response had been oral, its contents had reflected USTR's position. The United States owes responses to two letters, he acknowledged, but the two sides should continue these practical exchanges.

GVN: STILL FOCUSED ON JULY/AUGUST, THEN DECEMBER

114. (SBU) DPM Khoan emphasized that Vietnam wants to continue to try to accomplish accession by the December meeting in Hong Kong. He reiterated Vietnam's request for a visit by the U.S. side to Vietnam in July or August and confirmed that if the United States team cannot travel, the Vietnamese team will go to Washington. He also urged keeping up the exchanges and pace of work "intensely" until the next formal negotiating session so that when the two sides meet again conclusion of negotiations is possible.

115. (SBU) In the event a formal negotiation is not possible in July or August, Khoan conceded, the Vietnamese side hopes to have a meeting with the United States side on the margins of the working party meeting in Geneva in mid-September. However, that meeting should be substantive, productive and very well-prepared, and not "informal."

116. (SBU) DPM Khoan is confident that Vietnam will be able to resolve all multilateral issues in time to conclude the Working Party negotiations in September. Vietnam is currently working with all the countries in the Working Party and has all of the submitted questions and requests and is preparing responses. Vietnam is aware that new issues will come up during the Working Party meeting in September, but will do its best to respond favorably to those issues.

117. (SBU) Vietnam understands that December may not be possible, but it remains a target "we are trying to get to and achieve," the DPM stressed. The results of the multilateral Working Party session in Geneva will provide valuable information on when and how Vietnam's accession can go forward. Khoan said he understands the constraints on the United States side as the Ambassador explained them, but hopes that the United States will not completely rule out the possibility of accession by December. Khoan admitted that he does not know the procedures involved in completing the PNTR vote, but understands they will be addressed upon the conclusion of bilateral negotiations.

AMBASSADOR: IT WILL BE TOUGH TO GET IT DONE BY DECEMBER

118. (SBU) The Ambassador said the timing for a PNTR vote is not fixed, but must occur before the United States considers Vietnam to have acceded to the WTO. It cannot occur before the multilateral and bilateral negotiations are complete; the U.S. business response has been reviewed; and, an assessment of the Bilateral Trade Agreement (BTA) has been concluded. The BTA so far has been a success, though some areas remain where the United States would like to see further progress, such as distribution rights and IPR. The upcoming National Assembly session may address some of these issues, he suggested.

119. (SBU) The Ambassador told the DPM that the Vietnamese approach of focusing intensely on work that can be done now to enable both sides to complete negotiations quickly is exactly right. "We can see the finish line," the Ambassador said, "but we are not there yet." He advised Khoan that a July negotiation session is impossible, but the Embassy will convey the August suggestion to USTR. However, he cautioned, a new negotiation session is "absolutely not possible" unless there is evidence on both sides that it will be fruitful.

120. (SBU) Khoan clarified that his delegation handed over an offer on agricultural tariffs, and is looking for a response. The United States has said that Vietnam has made no changes in its offer, but for the Vietnamese side the ball is in the U.S. court. Khoan said the Vietnamese side has handed over the same offer several times because it is still waiting for a U.S. response; its offer will not change in the absence of U.S. feedback, he said. The industrial (non-agricultural) tariff issue is the same. Vu Khoan said USTR told the GVN it will respond soon to the Vietnamese offer, and Vietnam will then have a "substantive offer" after seeing the United States' feedback. This represents possible disparities in the working approach on both sides, but not an insurmountable difficulty. Once again, the DPM stressed, "Vietnam will do whatever it can to promptly settle the issues outstanding."

OTHER ISSUES: HIV/AIDS AND AVIAN INFLUENZA

121. (SBU) The Ambassador noted that a joint USG team from USAID, the Centers for Disease Control (CDC), the Departments of Health and Human Services and Agriculture was in Vietnam recently to meet with key GVN officials and see how the United States could best be helpful. The USG is encouraged by the leadership of Minister of Agriculture Cao Duc Phat as he works across ministries to put into place an emergency pandemic preparedness plan. Having a well-crafted plan in place and made public as soon as possible and certainly no later than the end of September would be both prudent and send a strong signal to the international community that Vietnam has taken the right preventive measures, the Ambassador said. To that end, the United States is prepared to assist. Vu Khoan thanked the Ambassador for the offer and said he had spoken to Deputy Prime Minister Pham Gia Khiem about the U.S. offer. DPM Khiem had met with the relevant agencies in the GVN to instruct them to cooperate fully with the international community.

122. (SBU) The Ambassador also noted that U.S. assistance to Vietnam in combating HIV/AIDS through the mechanism of the President's Emergency Fund for AIDS Relief (PEPFAR) could go as high as USD 40 million the next year, depending on actual disbursement performance, and urged the DPM to focus on this important aspect of the issue. Khoan agreed that disbursement was an issue with so many international donors involved.

123. (SBU) Comment: This meeting was triggered by the Prime Minister's concerns regarding the perceived delay in U.S.-Vietnam WTO negotiations following the Ambassador's July 19 meeting with Vice Minister Tu. The Ambassador spoke with Deputy Foreign Minister Vu Dung on July 24 and heard that the PM is agitated about what he perceives as U.S. foot-dragging in scheduling the next negotiating session. It is not clear that the PM's staff has been completely honest with him about the probable timeline for Vietnam's accession to the WTO.

125. (SBU) Comment continued: At the same time, the GVN has been trumpeting the December target for WTO accession to the public in Vietnam, and implying significant, swift and practical economic results from Vietnam's accession. One of the outcomes of the PM's visit to Washington most heavily publicized in the Vietnamese media was the President's promise to the Prime Minister that the United States supports Vietnam's WTO entry and will work to make it happen. Having built up expectations so high, GVN officials have an obligation to deliver to the Prime Minister and the PM feels he has the obligation to deliver to "public opinion" according to an arbitrary and unrealistic deadline.

124. (SBU) Comment continued: Fortunately, we are also dealing with pragmatists in the form of DPM Vu Khoan and Vice Minister Tu. They understand much more clearly the realities of negotiating Vietnam's WTO entry, and their presentation of the offer to negotiate on the margins of the working party in Geneva as an alternative to the July or August formal negotiation sessions, as well as the acknowledgement that an early February entry might be more realistic than December, demonstrate that understanding. To strengthen the position of these pragmatists, the USG needs only to negotiate in good faith and match the pace of work set by the GVN side. However, it could prove hard for us to justify not meeting in August since the GVN team is willing to come to Washington. End Comment.

MARINE